

Message Text

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ACTION H-03

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EO 11652: NA
TAGS: OREP (JAVISTS, JACOB)
SUBJ: CODEL JAVISTS - MEETING WITH GOE MINFIN

1. SEN JAVITS AND ASSISTANT PETER LAKELAND, ACCOMPANIED BY AMB AND EC COUNSELOR, CALLED ON MINFIN DR MAHMOUD SALAH EL DIN MAHMED JULY 9 FOR DISCUSSION LASTING ONE HALF HOUR. AFTER EXCHANGE OF PLEASANTRIES, SEN JAVITS NOTED THAT HE HAD LAST VISITED EGYPT 15 MONTHS AGO AND COMMENTED ON THREE FACTORS WITH RESPECT TO THE FUTURE OF EGYPTIAN ECONOMY OF PRIME INTEREST TO USG: (A) LIBERALIZATION OF ECONOMY; (B) NEED TO WORK OUT LONG-RANGE DEVELOPMENT PLANS (PROJECTION OF AT LEAST 5 OR EVEN 10 YEARS); (C) NECESSITY FOR CONTINUATION OF MOVEMENT TOWARD PEACE. SEN ALSO REMARKED ON COURAGE OF PRES SADAT IN EJECTING SOVIET INFLUENCE AND SATISFACTION US DERIVES FROM ITS FRINEDLY RELATIONS WITH EGYPT.

2. HAMAD DISCUSSED VARIOUS PROBLEMS IN ECONOMY DATING BACK NUMBER OF YEARS AND OUTLINED MEASURES GOE IS TAKING TO BRING ABOUT IMPROVEMENTS. MINFIN NOTED HIGH COST OF MILITARY EXPENSES AND SOCIAL SERVICES OVER PAST YEARS, ALONG WITH ATTENDANT INFLATIONARY PRESSURES AND INSUFFICIENCY OF SAVINGS AND INVESTMENT. HE SAID GOE NOW IS ATTEMPTING TO MOBILIZE SAVINGS AND IS UPTTING PRESSURE ON BUREAUCRACY TO HOLD DOWN PUBLIC EXPENDITURES IN ORDER TO REDUCE BUDGETARY

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DEFICIT. TO ENCOURAGE SAVINGS, HAMED NOTED GOE HAS FLOATED DOLLARS 50 MILLION CONVERTIBLE CURRENCY BOND ISSUE AND EX-EMPTED INTEREST INCOME FROM TAXES.

3. MINFIN HAMED DISCUSSED GOE'S VIEW OF DIVISION OF RESPONSIBILITY BETWEEN PUBLIC AND PRIVATE SECTORS IN EGYPT. HE SAID PUBLIC SECTOR IN EGYPT. HE SAID PUBLIC SECTOR WILL

CONCENTRATE ON INFRASTRUCTURE AND PRIVATE INVESTMENT WILL BE ENCOURAGED IN INDUSTRY, AGRICULTURE, SERVICES, ETC. HE NOTED CHANGES IN RECENT INVESTMENT LAW ARE DESIGNED TO ATTRACT ADDITIONAL FOREIGN PRIVATE CAPITAL.

4. IN RESPONSE TO QUERY BY SEN JAVITS ON HOW THESE MEASURES ARE BEING IMPLEMENTED, GIVEN BUREAUCRATIC RESTRAINTS, MINFIN SAID POLICIES ARE UNDER WAY AND IN MOTION, BUT NOTED DIFFICULTY IN IMPLEMENTING CHANGES AFTER 20 YEARS OF "CLOSED DOOR" POLICY. HE SAID ESTABLISHMENT OF HIGER INVESTMENT COMMITTEE CHAIRED BY PM SALEM AND RECENT ADMINISTRATIVE IMPROVEMENT TERMED "ADMINISTRATION REVOLUTION", AS EXAMPLES OF CHANGES BROUGHT ABOUT BY POLICY REVISIONS.

5. HAMED STRESSED BASIC IMPORTANCE OF INFRASTRUCTURE BUILD-UP AS UNDERPINNING FOR INVESTMENT AND NOTED AS WELL ROLE OF AGRIBUSINESS PROJECT DEVELOPMENT AS MEANS TO INCREASE FOOD SUPPLIES. ON POPULATION, MINFIN SAID GOE IS WORKING ON PROBLEM. SEN JAVITS NOTED EXAMPLE OF MEXICO IN THIS CONTEXT AND INQUIRED IF EGYPT IS MAKING PROGRESS. HAMED REPLIED THAT THE POPULATION ANNUAL RATE OF INCREASE HAS DECLINED FROM 2.9 PERCENT TO 2.2 PERCENT.

6. MINFIN CITED USUAL SECTORS SHOWING PROMISE FOR FUTURE. THESE ARE PETROLEUM, SUEZ CANAL AND TOURIMS. HAMED REMARKED THAT FUTURE INVESTMENT WILL BE IMPORTANT IN ALL LIMITED OFFICIAL USE

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THREE. SEN JAVITS RAISED QUESTION OF POSSIBLE FORD INVESTMENT IN AUTOMOTIVE INDUSTRY, MENTIONING ITS POTENTIAL USEFULNESS TO ECONOMY, BUT MINFIND DID NOT ADDRESS DIRECTLY THIS QUESTION.

7. SEN LEFT GOE OFFICIAL WITH TWO PRINCIPAL POINTS WITH RESPECT TO US DEVELOPMENT ASSISTANCE. A) US AID IN MEETING EGYPT'S INFRASTRUCTURE REQUIREMENTS AS THEY PERTAIN TO CITIES SHOULD BE FITTED IN WITH OVERALL PROGRAM DIRECTLY ADDRESSING PRODUCTIVITY OR SECURITY OR SECURITY QUESTIONS. (US IS WILLING TO HELP, BUT HAS ITS OWN PROBLEMS IN TERMS OF CITY INFRASTRUCTURE AND RELATED NEEDS). B) RELATED REQUIREMENT OF USG IS NEED FOR A "5 YEAR DEVELOPMENT BLUE PRINT" MENTIONED ABOVE. (THIS WOULD BE HELPFUL TO CONGRESS IN DETERMING THAT AID TO EGYPT IS BEING WELL ISSUED).

8. THIS MESSAGE APPROVED BY CODEL.
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